

GEORGIA REVENUE QUARTERLY



Roy E. Barnes, Governor

T. Jerry Jackson, Commissioner

DOR Expanding Efforts To Identify Motor Fuel Schemes

The Georgia Department of Revenue is requesting the assistance of motor fuel distributors and retailers to help identify businesses or individuals that are involved in schemes aimed at avoiding Georgia's motor fuel taxes.

The Department has established a "hotline" number that individuals can use to report suspicious fuel transactions. The statewide toll free number is (877) 383-5829.

"All informant information will be kept in the strictest confidence," said Dale Shurman, DOR's Motor Fuel Tax Administrator. "Individuals can also call DOR's motor fuel unit at (404) 417-6706 to report suspicious activity."

Shurman explained that, "some busi-

nesses under report their retail sales of motor fuels and thereby avoid state and local sales taxes, which would otherwise go towards paving local roads and building recreational centers and schools."



Another area of concern is the illegal use of non-taxable red-dyed diesel fuel for on-highway use. This fuel should be clearly identified on the fuel pumps as "Not For Highway Use". The minimum penalty for the illegal use of red-dyed diesel fuel is \$1,000 per violation.

Suspicious activity can also be reported using a new reporting form that can be filled out and submitted on-line at the DOR web site (www.gatax.org). Click the link for "Forms" and then click "Motor Fuel". The form can also be printed from the web site and mailed to the motor fuel unit.

The new hotline phone number and tax evasion reporting form compliments the Department's increased emphasis on retail businesses to ensure that businesses are correctly complying with the state's sales and motor fuel tax laws.

DOR agents are also checking sales tax licenses as part of their routine visits to retail establishments to ensure businesses have a valid sales tax license properly posted.

Hybrid Vehicles Qualify For Tax Deduction

Taxpayers who have purchased a hybrid vehicle manufactured by Toyota or Honda can claim a \$2,000 deduction on their federal income tax return.

A hybrid vehicle is powered alternatively by gasoline and electricity. Qualifying vehicles are Toyota Prius, Honda Insight and Honda Civic Hybrid.

This one-time deduction must be taken in the year the vehicle was first used. Taxpayers can claim the deduction whether or

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Low Income Housing Credit Procedures Set

The three state agencies tasked with administering Georgia's Low Income Housing Tax Credit established the procedures that must be followed to obtain the credit during a meeting at DOR headquarters on Sept. 27.

The credits can be claimed on income tax returns or insurance premiums tax returns.

Representatives of the Department of Revenue, Department of Community Affairs and the Office of the Insurance and Safety Fire Commissioner agreed upon the following procedures:

- Each partnership or other entity involved in marketing Georgia housing tax credits must attach assignment letters to their tax returns. The letters must indicate the name and tax identification number of each purchaser of a tax credit.

- Until a Georgia K-1 form is available, the DOR will accept a copy of a Federal K-1 form with "Georgia" written across the top. Taxpayers claiming the credit on their income tax return must attach the K-1 form showing from whom the tax credit was purchased and the amount of the credit.

- Each taxpayer claiming the GHTC must also attach page 3, Georgia Form IT-HC to their return each year until the credit is fully utilized.

The state tax credit is an amount equal to the federal housing credit and is automatically issued to owners of projects placed in service after Jan. 1, 2001.

For more information contact either Anthony Jackson of DOR at (404) 417-2441, Fenice Taylor of DCA at (404) 679-0647, or Linda Brooks of OCI at (404) 656-7551.

Commissioner's Letter

Tracking the revenue picture in the United States, Georgia's revenue picture continues to reflect decreased collections. This past year, Georgia, like many other states, endured economic decline. For FY 2002, state revenue was down five percent compared to FY 2001, and collections for the first quarter of FY 2003 remain down 6.8 percent compared to the same period in FY 2002. On a more positive note, however, collections for September 2002 were up 2.1 percent compared to September 2001. This broke 14 consecutive months of decreased monthly collection comparisons dating back to July 2001.

While many other states that are experiencing a similar decline in revenue have reverted to using their Rainy Day and/or Tobacco Settlement Funds, this is something Georgia has not been forced to do. In August Governor Barnes directed all state agencies to submit a plan to withhold two percent of their budget appropriation for FY 2003 and FY 2004. These budget cuts, in addition to a one-percent withholding directive that was issued in April, will help to balance the State's budget, averting the possibility of dipping into our reserves. The Department of Revenue will manage its reduction through delaying computer system enhancements and computer equipment purchases, reductions in temporary staffing and freezing of vacancies occurring through normal attrition.



Commissioner Jackson

Georgia continues to closely monitor the Streamlined Sales Tax Project. On November 12, 2002, representatives from over 35 states will meet in Chicago to give final consideration to an Interstate Agreement that will simplify and streamline sales and use tax administration. This effort is the culmination of over two years' work by revenue departments and industry leaders. The Agreement provides for uniform definitions of tax terms and procedures as well as simplified registration, reporting and remittances. Implementation of such an Agreement by the states would reduce the administrative burden on many businesses, improve compliance and increase state and local government revenues.

We are rapidly approaching the 2003 income tax filing season. Electronic filers will have a new filing option this year. In past years, taxpayers filing electronically had to file their state and federal returns simultaneously. This year, taxpayers will be able to file their federal and state returns electronically at separate times.

Electronic filing continues to be a popular option for Georgia taxpayers. During FY 2002, 1,472,569 income tax returns were filed electronically. This was an 18 percent increase over FY 2001. Particularly as budget reductions effect hiring of temporary employees used in tax season processing, we hope to see a continued upward trend in electronic filing fueled by the increased filing flexibility being offered.

T. Jerry Jackson

Link Named To Head DOR's Information Systems Division

John Link was appointed Assistant Commissioner for Technology effective Aug. 19. He will head the Department's Information Systems Division.

He comes to the Department from Clarus where he was the Chief Information Officer.

Link's previous experience includes

positions with Project Management Leadership, The Weather Channel and Coca-Cola Enterprises.

"I am confident that John's expertise and strong background in e-commerce, system design development, implementation and management will translate into long-term benefits for the Department," said Revenue Commissioner T. Jerry Jackson.

DOR Program Available For Taxpayers Experiencing Financial Hardship

Individuals and businesses who are experiencing severe and continuing financial hardship may consider filing an "Offer in Compromise" as a final attempt to settle a tax debt.

An Offer in Compromise is a process whereby a taxpayer can make an offer to pay a portion of his tax debt. If accepted, it gives the taxpayer the expectation of a fresh start in compliance with all future filing and payment requirements.

The process requires a financial investigation that normally takes 60 to 90 days.

The success of an OIC proposal is dependent upon many factors such as:

- The taxpayer making an adequate compromise proposal consistent with their ability to pay.
- The filing of all required tax returns.
- Complete documentation of their financial condition.

If the Revenue Commissioner accepts an OIC, the taxpayer must pay the offer in full within 90 days and remain in compliance with all tax filing requirements for five years.

The state can reinstate the entire tax liability with penalties and interest, if the taxpayer fails to comply with the compromise agreement.

Offer forms and supporting financial forms can be downloaded from DOR's website at www.gatax.org.

Information can also be requested by calling the Program Administrator at 404-417-2205 or writing to: Georgia Department of Revenue, Offer in Compromise Program Administrator, 1800 Century Center Blvd., NE, Suite 15110, Atlanta, GA 30345.

son.

Link is a graduate of the University of North Carolina. He replaces Sandra Haga, who retired.

Georgia Sales Tax Explained Regarding Out-Of-State Vehicle Buys

Georgia residents contemplating making a vehicle purchase outside Georgia should consider calling the Department of Revenue Compliance Division's Sales and Use Tax Notice unit in Rome. The toll-free number is 888-229-8497 or 706-802-5115.

"Many consumers and some car dealers do not understand how sales and use tax applies to out-of-state motor vehicle purchases," explained Paul Cochran, Manager of DOR's Rome Regional Office. "Regardless of where the vehicle is purchased, the buyer will owe the equivalent of all Georgia state and local sales tax when the vehicle is registered and titled in Georgia."

Some individuals are under the mistaken notion that they can purchase a vehicle outside Georgia and avoid paying any sales tax or pay a lesser amount than if they make the purchase in Georgia.

The following examples explain how sales tax is paid under different circumstances.

Alabama has a two-percent state sales tax on motor vehicles, which must be paid at the time of purchase, unless they sign a State of Alabama Automotive Vehicle Drive Out Certificate for Nonresidents. This would exempt them from paying Alabama sales tax.

"If a Georgia resident does not sign a Drive Out Certificate, the taxpayer will get credit for the two-percent Alabama state sales tax he or she paid when the deal was closed. However, the purchaser will still owe two-percent of the four percent Georgia state sales tax and from one to three percent local sales tax," explained Cochran.

The Revenue Quarterly is a publication of the Georgia Department of Revenue. Comments, suggestions and mailing list additions or corrections should be addressed to the Georgia Department of Revenue, Public Information Office, 1800 Century Center Boulevard, Suite 15114, Atlanta, GA 30345-3205. The telephone number is 404-417-2106. Address e-mail to cwwilley@gatax.org.

"The amount of local taxes due depends on which county the vehicle is titled and registered."

Georgia gives credit for like taxes paid in another state.

Georgia has reciprocating agreements with 42 of the 45 states that have a state sales tax. In the majority of states with a reciprocating agreement with Georgia, an individual can purchase a vehicle without paying state and local sales tax in the state where the purchase occurs when the proper exemption certificate is signed at the time of purchase. In most states with a Georgia reciprocating agreement that require sales tax to be paid, the maximum amount paid should be equal to Georgia's state sales tax rate (four percent).

For Georgia residents, this situation occurs primarily when a vehicle is purchased in Florida, which has a six-percent state sales tax.

"Unfortunately, many Florida dealers insist on collecting the six percent sales tax because they are either unaware of the reciprocating agreement with Georgia or do not understand how it works," said Cochran. "Georgia residents who are confronted with this problem should contact my office prior to finalizing their deal."

"Often times dealers charge the full six percent and issue the buyer a check for the two-percent extra sales tax that was included in the final price," added Cochran.

Georgia consumers who pay the full six-percent sales tax in Florida and do not get a check from the dealer can attempt to get the money refunded from the dealer or the State of Florida.

Georgia residents who have questions about sales and use tax on motor vehicle purchases may call the Rome office for specific information.

"We can discuss their situation and tell them how much additional sales tax is owed, which can be forwarded to the Rome office with the bill-of-sale. This will preclude us having to later send a form letter requesting the tax payment," Cochran explained.

DOR Agents Arrest Man Illegally Selling Untaxed Cigars

Georgia Department of Revenue agents arrested the owner of Bethel Trading Inc. and seized large amounts of untaxed cigars and three cargo trucks during an inspection of the Doraville, Ga., business on Sept. 16.

Hyun Chul Shin, the owner of Bethel Trading Inc., was charged with selling untaxed cigars with the intent to evade taxes, a felony, and for transporting untaxed cigars without proper documentation, a violation of state revenue laws.

A search of Department of Revenue records showed that neither Shin nor Bethel Trading Inc. filed any cigar excise tax reports or payments since its registration with the Department on Sept. 28, 2001.

"This inspection is part of the Department's stepped up enforcement of the state's tobacco laws," said Ronald Johnson, Director of DOR's Alcohol and Tobacco Division. "We have received reports from law abiding cigar wholesalers that some businesses are not complying with the state's excise tax laws on cigars."

Johnson indicated that his agents would continue their statewide inspections of businesses selling cigars and bring charges against those who are operating outside the law.

Hybrid Vehicles Continued from page 1

not they itemize their deductions.

The deduction lowers a taxpayer's federal adjusted income, which also lowers the taxpayer's Georgia adjusted gross income. A \$2,000 reduction in adjusted gross income equates to a \$120 tax savings on a taxpayer's Georgia return.

To claim this deduction for a previous year, taxpayers must file an amended return.

Georgia Department of Revenue
Public Information Office
1800 Century Center Boulevard
Suite 15114
Atlanta, GA 30345-3205
Address Services Requested

First Quarter Collections Decrease 6.8%

State Revenue Commissioner T. Jerry Jackson announced on Oct. 9 that net revenue collections for the first quarter of fiscal year 2003 totaled \$2,919,662,159.23 compared to \$3,133,317,082.53 for the same period in fiscal year 2002, a decrease of \$213,654,923.30. The

percentage decrease for the fiscal year is 6.8 percent.

Collections for the month of September totaled \$1,109,563,230.61 compared to \$1,087,168,313.40 for September 2001, an increase of \$22,394,917.21. The percentage increase for the month is 2.1 percent.

Net revenue Collections First Quarter Fiscal Year 2003 (Unaudited)

	FY 2003 YTD	FY 2002 YTD	Increase/(Decrease)	% Change
Sales and Use Taxes	\$1,047,793,030.85	\$1,155,736,056.45	(\$107,943,025.60)	-9.3%
2nd Motor Fuel Tax	\$50,575,026.68	\$56,443,052.11	(\$5,868,025.43)	-10.4%
Motor Fuel Tax/Fees	\$117,189,690.40	\$118,285,741.08	(\$1,096,050.68)	-0.9%
Individual Income Tax	\$1,561,950,681.22	\$1,620,507,930.49	(\$58,557,249.27)	-3.6%
Corporate Income Tax	\$78,872,540.33	\$76,302,689.17	\$2,569,851.16	3.4%
Cigar Cigarette Tax/Fees	\$14,306,531.19	\$21,915,932.53	(\$7,609,401.34)	-34.7%
Liquor Tax/Fees	\$8,977,676.43	\$6,318,991.70	\$2,658,684.73	42.1%
Malt Beverage Tax/Fees	\$15,367,128.98	\$15,176,311.62	\$190,817.36	1.3%
Estate Tax	\$19,731,205.79	\$27,873,642.87	(\$8,142,437.08)	-29.2%
Property Tax	\$6,084,277.07	\$6,257,713.10	(\$173,436.03)	-2.8%
Wine Tax/Fees	\$3,476,292.59	\$3,228,441.06	\$247,851.53	7.7%
Other	\$6,292,595.96	\$7,030,868.42	(\$738,272.46)	-10.5%
Balance of Unallocated - Tax/Fees	(\$10,954,518.26)	\$18,239,711.93	(\$29,194,230.19)	-160.1%
Totals	\$2,919,662,159.23	\$3,133,317,082.53	(\$213,654,923.30)	-6.8%

Visit DOR's Website At www.gatax.org